

Anthony Fraser Teale | Plummer Farm | Tenterden | Kent | TN30 6TU | United Kingdom

2nd January 2024

Honorable Judge John Dorsey

824 N Market St
5th Floor, Courtroom 5
Wilmington, DE 19801
302-533-3169

Esteemed Judge John Dorsey,

I pen this correspondence as a creditor in the FTX bankruptcy proceedings, domiciled outside the United States.

As one among the multitude adversely affected by financial losses incurred through my engagements with FTX, I feel compelled to articulate my apprehensions regarding the stewardship of the FTX estate, with a particular focus on the valuation methodology employed for crypto assets in the determination of claims. It is my contention that the practice of pegging the value of crypto assets to their worth as of the petition date for claim calculations is profoundly inequitable and fails to acknowledge the inherently volatile nature of cryptocurrency markets.

Such an approach risks a gross undervaluation, misrepresenting their actual worth and potential recuperation for creditors like myself. Although I acknowledge the rationale behind the valuation of certain assets like FTT, SRM, MAPS, and OXY, it is disconcerting that the enhanced value of other assets such as BTC, ETH, and SOL post-petition date is disregarded in the current valuation scheme. This leads to a disparate treatment of assets and is inherently unjust. The ethos of bankruptcy law, underpinned by a multitude of provisions and case law interpretations, is fundamentally aimed at facilitating equitable resolutions. The unique context of FTX and its creditors demands a judicious application of these principles to ensure an outcome that is both fair and just.

This principle empowers the court to appraise claims based on equity, particularly when circumstances have markedly evolved. The axiom of fairness should be paramount in these proceedings. Creditors possess a legitimate entitlement to the value of their assets, which ought to be assessed at their fair market value. The prevailing valuation method subverts this axiom and disproportionately prejudices FTX clients, compelling them to accept valuations that do not accurately mirror current market dynamics. I earnestly urge the court to reassess the methodology for valuing crypto assets in the FTX bankruptcy case.

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It is imperative for the integrity of this process and the equitable treatment of all creditors involved that assets are appraised in a manner that genuinely reflects their current and dynamic value. Additionally, I draw your attention to a precedent in a large crypto bankruptcy, namely Mt. Gox, which declared bankruptcy in Japan in 2014 after losing 90% of client Bitcoin. As Bitcoin's value escalated, creditors' prospects of full USD compensation improved. However, the increasing value of Bitcoin meant a reduced quantity was needed for USD full recovery, adversely affecting creditors' Bitcoin recoveries.

Opportunistic behavior by subordinated creditors, who sought to delay proceedings and capitalize on the rising Bitcoin value, resulted in protracted and costly delays, ultimately diminishing creditors' recoveries.

I appreciate your consideration of this critical matter and trust in the court's commitment to uphold the principles of fairness and equity for all stakeholders in this case.

Yours faithfully,

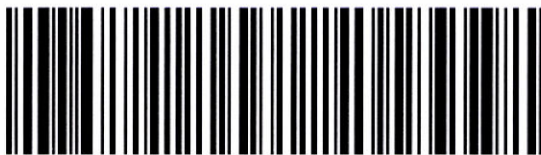
A handwritten signature in black ink, appearing to be 'Anthony Fraser Teale', written over a horizontal line.

Anthony Fraser Teale
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Honorable Judge John Dorsey
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